

STATE OF SOUTH CAROLINA**(Caption of Case)****Letter Requesting Accounting Order Related to
Municipal Fee Payments****BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA****COVER SHEET****DOCKET****NUMBER: 2007 _____ - E****(Please type or print)****Submitted by: Belton T. Zeigler****SC Bar Number: 5754****Address: Haynsworth Sinkler Boyd, P.A.****Telephone: 803.540.7815****P.O. Box 11889****Fax: 803.540.7721****Columbia, SC 29211****Other:****Email: beltonzeigler@hsblawfirm.com**

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)☐ **Emergency Relief demanded in petition** ☒ **Request for item to be placed on Commission's Agenda expeditiously**☐ **Other:** _____**INDUSTRY (Check one)****NATURE OF ACTION (Check all that apply)**

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Electric | <input type="checkbox"/> Affidavit | <input checked="" type="checkbox"/> Letter | <input type="checkbox"/> Request |
| <input checked="" type="checkbox"/> Electric/Gas | <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certificatio |
| <input type="checkbox"/> Electric/Telecommunications | <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigator |
| <input type="checkbox"/> Electric/Water | <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Electric/Water/Telecom. | <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Electric/Water/Sewer | <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Telecommunications | <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Discovery | <input type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Water | <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Water/Sewer | <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Administrative Matter | <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Other: | <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| | <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |

**Haynsworth
Sinkler Boyd, P.A.**

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December 20, 2007

VIA HAND DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Letter Requesting Accounting Order Related to Municipal Fee Payments

Dear Mr. Terreni:

The purpose of this letter is to request that the South Carolina Public Service Commission (the "Commission") issue an order related to the accounting for municipal fee payments made by South Carolina Electric & Gas Company ("SCE&G" or the "Company") under the terms of Order No. 87-1294, related to natural gas service, and Order No. 87-1381, related to electric service, and the crediting of certain outstanding balances to cost of gas and electric fuel cost calculations.

Municipal Fee Collections

As the Commission is aware, SCE&G pays annual fees to municipalities in South Carolina for the privilege of using municipal streets, alleys and other public places for the provision of gas and electric service. The amount of these fees are established as a percentage (typically 3%-5%) of the bills for gas and electric service by residential and commercial customers located within the municipal limits. Those percentages are set in long-term agreements with the municipalities.

These agreements between SCE&G and the municipalities also establish how the annual fees are to be calculated, when payments are to be made, and to which period they relate. Under the agreements:

- Fees are calculated based on the prior year's billings (Year A);
- They are paid in the current year (Year B), typically in June; and
- The payment is for the right to use municipal spaces to provide utility service in the following year (Year C).

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To account for this sequencing of payments, SCE&G books payments and collections made in the current year (Year B) to a balance sheet prepayment account.

Because payments are calculated on Year A billings, actual collections may be more or less than the pre-payments, depending on whether revenue from municipal customers increases or decreases from year to year. In recent years, increases in electric fuel costs and gas commodity costs as well as growth in energy demand and rate adjustments have resulted in a balance of collections compared to payments that is positive. At present, the cumulative positive balance of these funds is approximately \$37.5 million, of which approximately \$10.5 million relates to gas service and approximately \$27 million relates to electric service.

Crediting to Customers

Given the size of the balance, SCE&G believes it would be appropriate to flow these funds back to customers at this time. SCE&G proposes to flow back the amounts related to gas service using the cost of gas calculation and to use the electric fuel factor calculation to flow back amounts related to electric service. Specifically, SCE&G proposes to credit approximately \$10.5 million to the demand charge cost of gas calculation for the residential, small and medium general service customer classes during the month of December, 2007.

At the same time, SCE&G proposes to credit approximately \$27 million to the balance of environmentally-related fuel costs that will be recovered from electric customers pursuant to the Utilities Infrastructure Act of 2007, Act No. 16 of 2007, codified at S.C. Code Ann. § 58-27-865(A)(1)(a) and (b). Act No. 16 substantially expanded the environmental costs that will be recovered from customers through the fuel clause. SCE&G's 2008 Annual Fuel Clause Proceeding will be the first proceeding in which fuel factors will be set based on the new statutory definitions. Crediting approximately \$27 million to the balance of environmentally-related costs will mitigate the resulting increase in fuel costs to customers.

As stated above, the credits to the cost of gas and fuel factor calculations will reflect the current \$37.5 million balance. From time to time, out-of-period adjustments must be made to balances such as these. If any out-of-period adjustments are required in future months to the balances from 2006 and earlier, and if these adjustments are positive, then these adjustments would be flowed through to customers using the same methodology as was used for the original \$37.5 million balance.

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Accounting Going Forward

To better account for the collections and payments going forward, SCE&G proposes the following accounting treatment:

1. SCE&G would record current-year payments as a pre-paid expense on the balance sheet.
2. SCE&G would record current-year collections as other electric or gas revenue, as appropriate, net of the amortization of the prior year prepayment.

In this manner, future balances would not be allowed to accumulate, but instead would flow through operating results as regulated income to offset current operating expenses and mitigate the effects of inflation and other pressures on rates.

Requested Date of Approval

SCE&G respectfully requests that the Commission approve this accounting treatment related to the netting of collections and expenses to revenue effective as of January 1, 2007 and to be reflected in its books for calendar year 2007. To support inclusion of the netting approach in its books for calendar year 2007, the Company would respectfully request that an order be issued on or before January 21, 2008. Because of the nature of the relief requested, S.C. Code Ann. § 58-27-870(F) (Supp. 2006) allows the Commission to issue the requested order without hearing.

Thank you for your consideration of this matter.

Respectfully Submitted,

s/ Belton T. Zeigler

Belton T. Zeigler

Attachments

cc: Nanette Edwards, Esq.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-191-E

IN RE:

Letter Requesting Accounting)	CERTIFICATE OF SERVICE
Order Related to Municipal Fee)	
Payments)	
)	
)	

I, the undersigned employee of Haynsworth Sinkler Boyd, P.A., do hereby certify that I have caused the foregoing to be served via U.S. mail, postage prepaid, *or by other delivery as indicated*, to all parties of record at the addresses shown below.

1. Letter Requesting Accounting Order Related to Municipal Fee Payments

Parties of Record

Nanette Edwards, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201
nsedwar@regstaff.sc.gov

HAYNSWORTH SINKLER BOYD, P.A.

By: s/ Margaret A. McClintock
Margaret A. McClintock
Paralegal

Date: December 20, 2007